

VZCZCXRO1194
RR RUEH DU RUEHGI RUEHJO RUEHMR RUEHRN
DE RUEH KI #1373 2421405
ZNR UUUUU ZZH
R 301405Z AUG 06
FM AMEMBASSY KINSHASA
TO RUEHC/SECSTATE WASHDC 4702
INFO RUEHXR/RWANDA COLLECTIVE
RUCNSAD/SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
RUEAIIA/CIA WASHDC
RUFOADA/JAC MOLESWORTH RAF MOLESWORTH UK
RHMFISS/HQ USEUCOM VAIHINGEN GE
RUEHC/DEPT OF LABOR WASHDC
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS KINSHASA 001373

SIPDIS

SIPDIS

E.O. 12958: N/A

TAGS: [ECON](#) [EMIN](#) [ELTN](#) [PGOV](#) [ELAB](#) [CG](#)

SUBJECT: INCREASING ECONOMIC PROBLEMS IN THE KASAIS

REF: KINSHASA 1261

¶1. (U) Summary. Eastern and Western Kasai have been experiencing increasing economic difficulties, seemingly due primarily to labor strife, the diamond parastatal's ongoing problems, and seasonal effects. Both Kasais have experienced shortages of produce, goods and petroleum products, with consequent sharp price increases. End summary.

¶2. (U) Dry season price increases are usual in the Kasais, when agricultural output, and therefore supply, decreases. However, the SNCC (DRC's national railway service) strike, which began in July, has exacerbated the shortage because the railway carries petroleum and essential goods to the Kasais from Lubumbashi, Katanga province (reftel). According to the president of the FEC chapter in Mbuji-Mayi, some products are even sitting unloaded at train stations because of the SNCC strike. (Note: The president of the Chamber of Commerce (FEC) chapter in Mbuji-Mayi said that the SNCC strike is causing the same problems in Maniema province and the northern part of Katanga province. End note.)

¶3. (U) The prices of some food items and other basics, including manioc, maize and cement, have tripled and even quadrupled. Petroleum prices have doubled, although Mbuji-Mayi is reportedly harder hit, because it is more reliant on other towns, including Mwene-Ditu, Ngandajika and Kananga, for food products and other consumer goods. Petrol for vehicles is 1000 Congolese Francs (CF) per liter in Kananga, Western Kasai, and 1200 CF per liter in Mbuji-Mayi, Eastern Kasai, while the fixed national price is 490 CF per liter.

¶4. (U) In addition, the region's largest single employer appears to be having increasing financial difficulties that may be impacting the overall economic situation, an analysis with which the Congolese Central Bank (BCC) director in Kananga agrees. MIBA, the DRC's diamond mining parastatal, has not paid its 6000 employees for nearly five months. Further, MIBA's official 2006 production and export has decreased over 2005 levels. The CEEC (the DRC's diamond evaluating and export authority), reported that MIBA produced 572,876 carats (industrial and gem quality), at an average per carat value of USD 13.34, versus June 2005 730,162 carats at USD 15.05 per carat. More importantly, MIBA's export quantity appears to have decreased over 2005 levels. The Econ Section has received reports that artisanal diamond mining has also decreased around Mbuji-Mayi. (Note: The BCC director in Kananga told EconOff that despite sustained production in Tshikapa, a major alluvial diamond mining center in Western Kasai, its economy is tied almost solely to Kinshasa and has little impact on the province. End note.)

¶5. (U) Although until now the exchange rate in the Kasais has generally remained in step with national averages, it is showing slight signs of greater devaluation in Eastern Kasai. On August 29, the Congolese Central Bank's exchange rate was 467 CF/USD, while in

Mbuji-Mayi it was USD 478. However, the Kananga BCC director said that exchange rates in the Kasais have been increasingly in line with national averages and have reacted less to local factors.